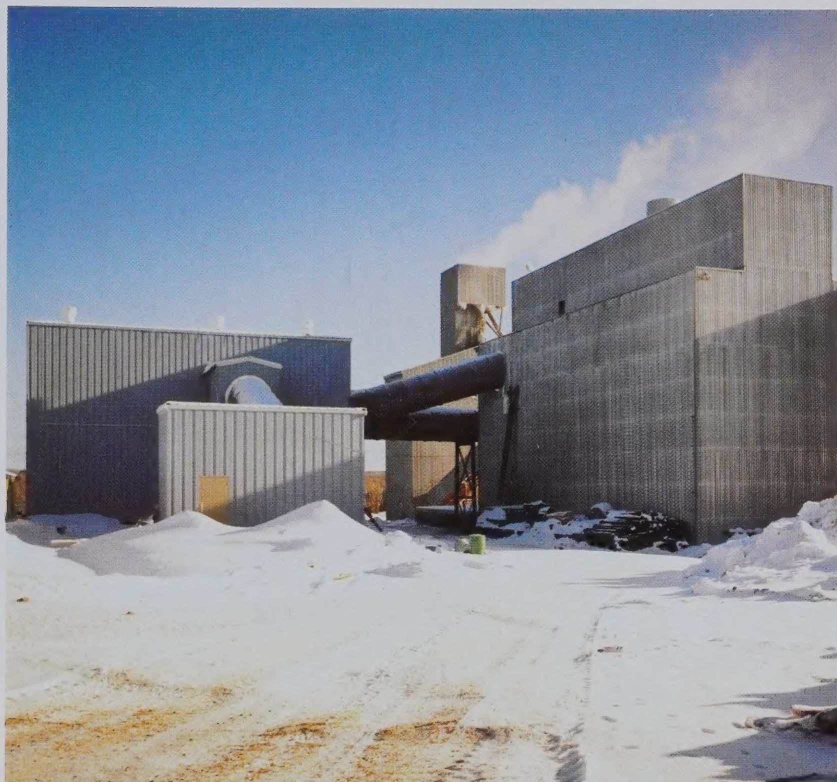
annual report 1980

AGNICO-EAGLE
mines limited



The Eagle Gold Mine, Joutel Township, Quebec

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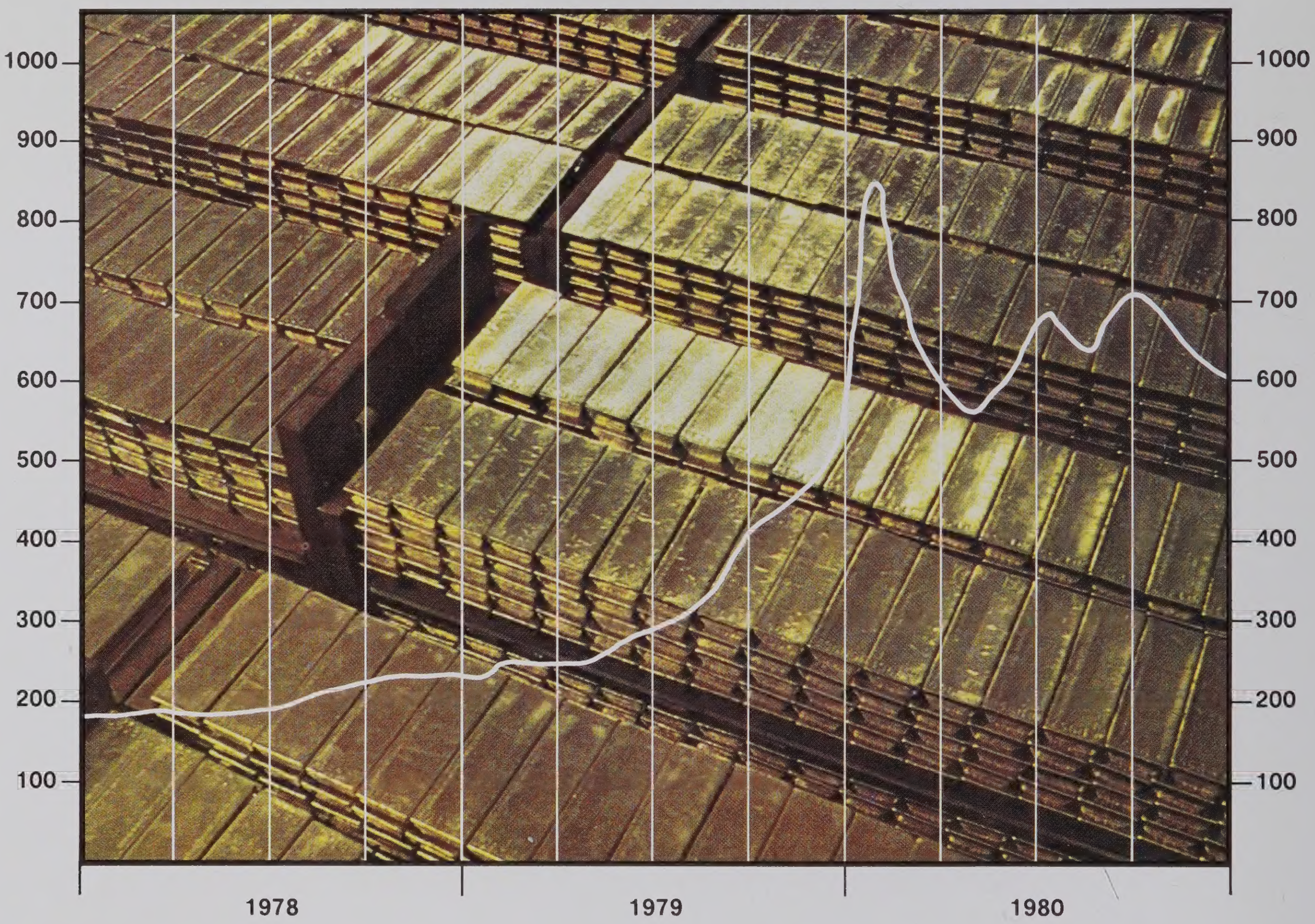
CHART OF GOLD PRICES — 1978 to 1980

(Plotted on weekly average gold price, second fixing — London Gold Market)



Yearly Average Gold Price — Per Troy Ounce

Year	U.S. Dollars	Can. Dollars
1978	$193	$222
1979	$307	$366
1980	$612	$735
1981 — 1st Qtr.	$514	$610

* Represents actual average price per troy ounce received by Gold Division.

AGNICO-EAGLE mines limited

OFFICERS

Paul Penna, President and Managing Director
Mikey Drutz, Secretary-Treasurer
Barry Landen, Financial Comptroller

DIRECTORS

Irving Dobbs, Insurance Executive
Gordon W. Kirk, P.Eng., Mining Engineer
Milton Klyman, Controller, Toronto Symphony
William H. Molle, President, Mitre Resources Ltd.
John R. Murray, Retired, Formerly Deputy Chief, Metropolitan Toronto Police
Paul Penna, President, Jakmin Investments Limited

MINE STAFF — SILVER DIVISION

Mine Manager, Gordon W. Kirk, P.Eng.
Chief Geologist and Engineer, Brian Thorniley, B.Sc., M.Sc., P.Eng.
Mine Superintendent, Armand R. Cote, P.Eng.
Mill Superintendent, William Montgomery
Chief Accountant, Herbert O. Johnson
Consulting Metallurgist, Ram Jugoon, B.Sc.
Mechanical and Electrical Superintendent, William Sutton

MINE STAFF — GOLD DIVISION

Consulting Engineer, Donald J. LaRonde, B.Sc., P.Eng.
Mine Manager, Dan Maciejowski, B.Sc., P. Eng.
Exploration Manager, Anton Adamcik, B.Sc., P. Eng.
Mill Superintendent, Ram Jugoon, B.Sc.
Metallurgist, John Walker, B.Sc.
Mine Geologist, John Kafferty, B.Sc.
Mechanical Superintendent, Amay Dupas
Chief Electrician, Ray Binette
Underground Superintendent, Louis Croteau
Administrative Manager, Marcel Trottier

CONSULTING GEOLOGIST

W. A. Hubacheck, B.Sc., P.Eng.

EXECUTIVE AND HEAD OFFICE

Suite 300, 365 Bay Street
Toronto, Ontario M5H 2V1

MINE OFFICE — SILVER DIVISION

P.O. Box 140, Cobalt, Ontario P0J 1C0

MINE OFFICE — GOLD DIVISION

P.O. Box 310, Joutel, Quebec J0Y 1N0

AUDITORS

Starkman, Kraft, Rothman, Berger & Grill
Chartered Accountants, Toronto, Ontario

SOLICITORS

Shibley, Righton & McCutcheon
Toronto, Ontario

BANKERS

The Toronto-Dominion Bank
Toronto, Ontario

REGISTRAR AND TRANSFER AGENT

Guaranty Trust Company of Canada
88 University Avenue, Toronto, Ontario
427 St. James Street, Montreal, Quebec

SHARE LISTINGS

The Toronto Stock Exchange, Toronto, Ontario
Montreal Stock Exchange, Montreal, Quebec
Ticker Symbol "AGE"
O.T.C. in United States of America
NASDAQ Symbol "AEAGF"

ANNUAL MEETING OF SHAREHOLDERS

June 26, 1981, 10:00 a.m. (Toronto Time)
Library Room. Main Mezzanine, Royal York Hotel
100 Front Street West, Toronto, Ontario

COMPARATIVE HIGHLIGHTS

	1980	1979
Consolidated Financial Summary		
Bullion Revenue	*$ 48,840,988	$ 26,956,747
Cash Flow — funds from operations	$ 21,661,245	$ 13,505,636
Per Share	$1.56	$0.97
Net Income	$ 18,013,923	$ 7,946,110
Per Share	$1.30	$0.57
Working Capital at Year End	$ 30,803,481	$ 14,592,754
Shareholders' Equity	$ 37,472,580	$ 21,613,271

Divisional Operating and Financial Summary (unconsolidated)

GOLD DIVISION

	1980	1979
Gross Division Revenue	*$ 40,864,681	$ 23,902,229
Operating Costs	$ 10,120,946	$ 8,404,782
Mine Operating Profit	$ 30,574,939	$ 15,374,195
Net Division Revenue	$ 23,502,138	$ 12,743,322
Capital Expenditures	$ 1,442,692	$ 1,045,757
Tons of Ore Milled	357,415	367,600
Average Grade — Ounces Gold Per Ton	0.168	0.192
Ounces of Gold Produced	55,190	64,722
Average Gold Price Received — Per Ounce	$735.26	$366.42
Operating Costs Per Ounce of Gold	$183.38	$129.86
Operating Costs Per Ton of Ore Milled	$28.32	$22.86
Ore Reserves at Year End — Tons	1,229,990	1,305,533
Average Grade — Ounces Per Ton	0.191	0.227

SILVER DIVISION

	1980	1979
Gross Division Revenue	*$ 7,976,307	$ 3,054,518
Operating Costs	$ 4,226,928	$ 1,158,466
Net Division Revenue	$ 1,928,503	$ 1,565,723
Tons of Ore Milled	62,576	46,075
Recovered Average Grade — Ounces of Silver Per Ton	6.54	4.06
Ounces of Silver Produced	409,441	187,315
Average Silver Price Received — Per Ounce	$19.48	$16.31
Operating Costs Per Ounce of Silver	$10.32	$6.18
Operating Costs Per Ton Milled	$67.55	$25.14

NOTE: * Revenue figures for 1980 are before the deduction of realized losses resulting from the closing out during the year of futures contracts in relation to the hedging of bullion production. As previously reported, these deductions totalled $4,029,942 in 1980.

President's Report to Shareholders

Again in 1980 — and for the third consecutive year — the financial results of your Corporation featured bullion revenue and net profit at record levels, accompanied by a progressive expansion in mineral resource development activity and financial strength.

Bullion revenue from gold and silver production increased by 80% to just under $49 million from $27 million in 1979; cash flow — representing funds from operations — up 60% to $21.7 million equal to $1.56 per share from $13.5 million or $0.97 per share last year; and net profit rose 125% to $18 million equal to $1.30 per share from $8 million or $0.57 per share in 1979.

Growth in financial resources is demonstrated by the $16.2 million increase in working capital during the year to a total of $30.8 million at the end of 1980, a 110% increment from the 1979 year end figure of $14.6 million.

Corporate liquidity is soundly based on cash and deposit receipts amounting to $28.2 million, plus marketable investments with a quoted value of $16.7 million, or a total of $44.9 million at the end of 1980 — and no funded or other debt obligations. This represents a more than three-fold improvement from last year's $12.2 million.

While prices of gold and silver were major contributing factors to the record profit in 1980, non-operating revenue of $5.6 million also made a significant contribution. Non-operating revenue consists of interest and sundry income together with realized gains from the sale of investment securities. As a measure of the effective employment of funds currently surplus to corporate requirements, 1980 revenue from this latter source shows a ten-fold increase from that of the previous year.

However, it should be noted that capital expenditures for buildings, machinery and equipment at the gold and silver divisions, together with outlays for mineral exploration, totalled $3 million in 1980, but will predictably increase sharply during 1981 and succeeding years to fund essential development and production expansion programs, plus the rapidly growing annual budgets for increasing activity in mineral exploration which is central to your Corporation's future operations and to maintain the continuity of corporate growth.

Major current projects at the gold division include the new 4,000 foot production shaft for the Telbel mine property, involving a scaled annual expenditure to completion at a capital cost of $10 million and a 1981 exploration budget of some $1.4 million for underground exploration for extensions of the known ore zones and the surface program for the surrounding Joutel area claims groups.

At the silver division, capital expenditures, development and exploration expenses will total some $1.6 million in 1981, with the expectation of further ongoing commitments as new production units are brought into operation.

Another major exploration target for 1981, the continuation of the program initiated in 1979, is the Serem Joint Venture gold and silver project at the Toodoggone River-Chapelle area of British Columbia, in which your Corporation's share of the 1981 exploration budget of $2.2 million will total a likely $550,000 or more.

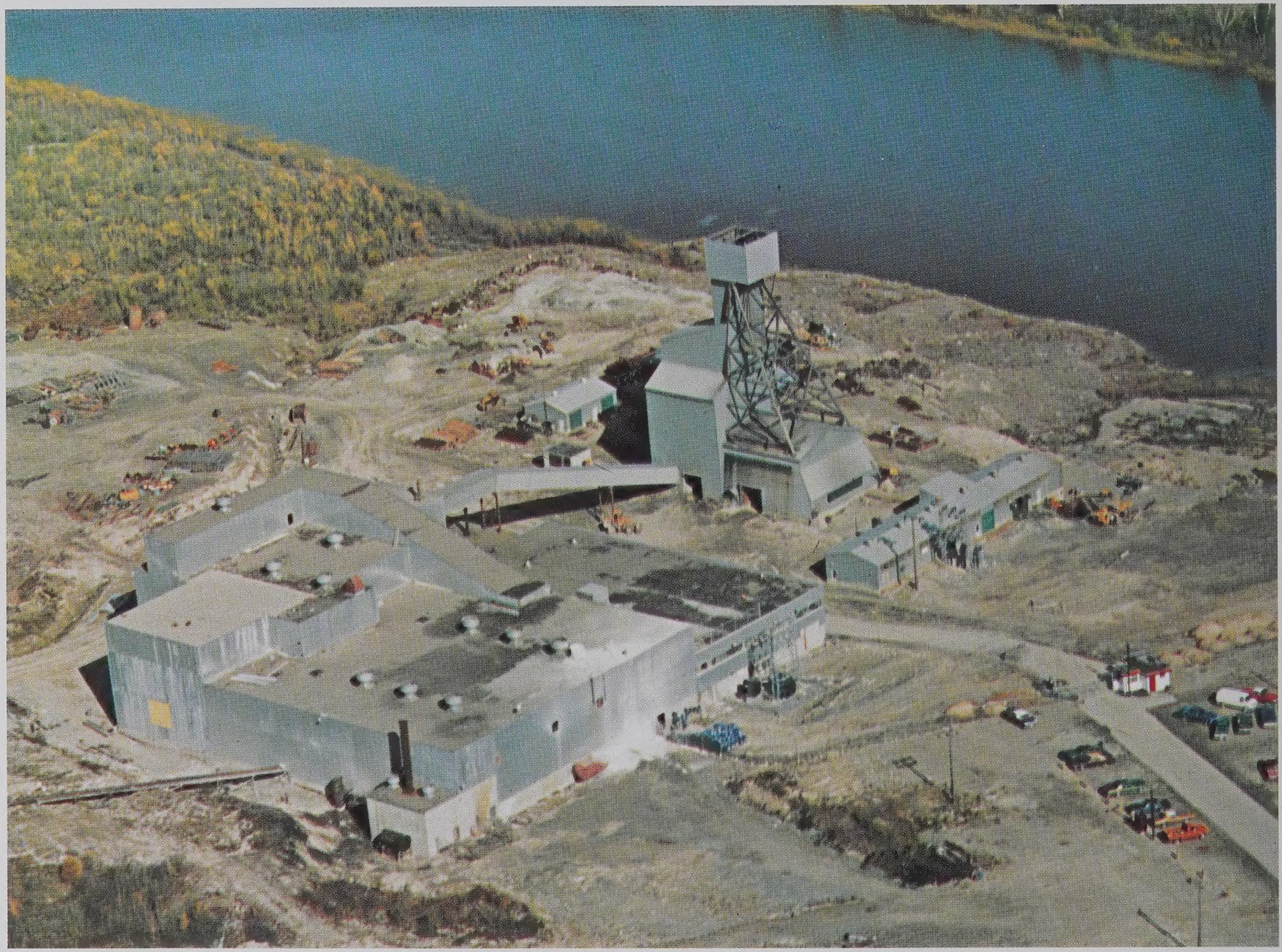
While the centrepiece of your Corporation's operations are its gold and silver mining divisions, exposure through associated corporations include such projects as the gold-silver-copper mining operation scheduled for the Noranda-controlled Dumagami Mines Limited at the latter's property in northwestern Quebec.

Financial

The 1980 Annual Report includes the audited consolidated financial statements of the Corporation for the year ended December 31, 1980 and the unaudited consolidated statements of income and changes in financial position for the 1981 first quarterly period ended March 31st.

As previously mentioned, net profit for 1980 of $18,013,923 equal to $1.30 per issued share was substantially higher than the $7,946,110 or $0.57 per share earned in 1979. The comparative 1979 figures are after an extraordinary credit of $766,639 or 5.5¢ per share from the utilization of unrecorded tax benefits. There was no such item in 1980.

Cash flow, representing funds from operations, amounted to $2,560,803 equal to $0.18 per share for the 1981 First Quarter and net profit was $2,288,693 equal to $0.16 per share. The comparative figures for the First Quarter 1980 were cash flow of $5,956,921 or $0.43 per share and net profit of $4,555,722 or $0.33 per share.



Looking northeast across the milling complex and mining plant at the Joutel Twp., Quebec, gold mine of Agnico-Eagle Mines Limited. This modern and highly efficient 1,000 ton-plus treatment plant was expanded during 1980 with the installation of a new secondary crushing plant increasing capacity up to 1,500 tons daily.

The Agnico-Eagle Penn Mill at Cobalt, Ontario, was improved during 1980 with the addition of four flotation cells with the capacity to handle up to double the average treated in the past year.

Detailed summaries of the comparative financial and operating highlights for 1980 and 1979, unaudited summarized 1980 quarterly data together with a five year summary of financial and production highlights are appended as separate schedules to this Report. Also included is a comparative 1980 and 1981 first quarterly summary of financial results and divisional operations.

The net loss for the silver division during the 1981 first quarter reflects adjustments from prior periods resulting in an average silver price realization below that actually received.

Mine Operations

Details of the 1980 mine operations of the separate gold and silver divisions are set out in the accompanying reports of the respective mine managers on pages 14 through to 19.

Metallurgical recoveries at the gold division averaged 91.79% during 1980, varying from 90.45% in the second quarter to 93.51% in the fourth quarter. Revenue per ounce of gold again increased in 1980 to an average of $735.26 from the 1979 average of $366.42 per ounce.

Bullion production at the gold division of 55,190 ounces of gold and 11,494 ounces of silver was below the 1979 figures of 64,722 and 15,976 ounces respectively. Nevertheless, the mine operating results were quite satisfactory considering the lower tonnage and grade treated during the year. Production in the 1981 first quarter was well below forecast because of the lower average grade and tonnage treated during the period with the mill operating at approximately 83% of the available time.

In the period from the commencement of operations at the gold division in 1974 to the end of 1980, a total of 2,300,080 tons of ore has been mined and milled producing 401,826 ounces of gold and 100,745 ounces of silver. Throughout much of this period forward ore development was virtually limited to milling requirements. During 1979-1980 a major underground exploration and development program was undertaken to carry out the necessary work to develop additional ore reserves. The full impact of this work will become evident during 1981 and 1982.

Expenditures at the Eagle Gold Mine in 1981 for underground exploration seeking extensions of the known ore zones will amount to an estimated $900,000, more than double the $400,000 expended for this work in 1980. The new 4,000 foot production shaft for the Telbel property will involve an ultimate expenditure of some $10 million in preparing the area adjacent to the main mine for production. Initially there will be three main headings connecting to the main mine area, including the present drive on the 2550 level which has now been advanced in excess of 1,000 feet into the Telbel ground or about 2,500 feet from the site of the new shaft. There is still a further distance along strike to the eastern boundary of the Telbel property of some 7,000 feet.

A hoist for the new shaft has already been purchased. It has a capacity to a depth of 5,000 feet and is equipped with a 1,500 HP motor and its size, 12 feet by 8 feet, compares with the 8 feet by 6 feet hoist at the original shaft which is powered with two 375 HP motors. Expenditures in connection with the new shaft sinking program during the 1981 first quarter amounted to $147,568 and will increase substantially on the commencement of actual sinking during the current year.

At the Silver Division, equally extensive expenditures are scheduled for 1981, tentatively placed at $1.6 million. During 1980, capital expenditures at the Silver Division properties totalled $1,128,659. The Beaver and Temiskaming mine properties, which have been the focus of a long exploration and development program at a cost of some $4 million, has had a substantial upgrading of surface facilities including a new hoist and headframe at the Temiskaming Shaft, which is some 600 feet distant from the Beaver Shaft. To date, all underground work has been done through the Beaver Shaft, a single compartment opening extending to a depth of 1,600 feet.

The Temiskaming Shaft, which similarly extends to a depth of 1,600 feet is of three-compartment size and will become the main production shaft for the new ore being developed on the Cobalt Lode, as well as for the planned deep development of both the Brady Lake and Christopher properties.

As noted in the Mine Manager's report on the silver division, developments during the year on the Cobalt Lode and adjacent properties, including mining and exploratory drilling, have demonstrated that the ore zones extend well over 200 feet above the 1,600 ft. level which will require a new level south from the Temiskaming Shaft to develop this horizon.

Four separate good grade ore shoots have been developed in the Beaver-Temiskaming workings which will be brought to full production during 1981. This property has been expanded with the purchase during the year of the Bursary Silver Mines' claim to the west of the Beaver and Temiskaming shaft areas.

Presently, the three main production units, Beaver-Temiskaming, Coniagas and the Castle Mine in Gowganda,

The Langis Mine, a former silver producer recovery in excess of 10 million ounces of silver from ore averaging over 20 ounces per ton, had some 100,000 ounces of silver in place prior to closure in 1968. A new mining plant and headframe was installed during 1980 in preparation for the current program of exploration and development.

The Trout Lake Mine shown below was recently purchased by Agnico-Eagle. This property produced some 1.8 million ounces during the period of operation by Agnico-Eagle from 1973-1975 when it was held under lease. It is slated for re-examination and exploration during 1981.

are the sources of mill feed. A fourth unit, the Langis property where a new mining plant and headframe were installed and now being dewatered, is scheduled for exploration and development in 1981. This mine, a former producer that recovered over 10 million ounces of silver from ore averaging over 20 ounces per ton, is reputed to have close to 100,000 ounces in two of the veins at the time of closure in 1968.

Among other potential producers scheduled for re-examination are the Capital Mine, nearby the Castle in Gowganda, a former 10 million ounces-plus producer, and the Trout Lake Mine in South Lorrain which was recently purchased by your Corporation. The latter property produced some 1.8 million ounces of silver during the period of operation from 1973 to 1975 when it was held under lease.

The forecast production at the silver division for 1981 is in the order of 750,000 ounces or nearly double the total of 1980. The Corporation's Penn Mill, which was improved during the year with the installation of four flotation cells, a new dust collecting system in the crushing section and a covered enlarged truck dumping ramp, now has an annual capacity in excess of 100,000 tons of ore.

With the high probability of developing substantial mill feed at the Castle Mine where current production (about 25% of the total) has been drawn from just two levels and dewatering now completed below the 260 ft. and 325 ft. levels at the No. 3 Shaft which are now being prepared for development and six additional lower levels to be available for examination during 1981, consideration will be given to the installation of a separate milling plant at Gowganda.

Such a plant would obviate the 55 mile truck haul to the Penn Mill and favourable findings at the nearby Capital Mine would clearly weigh in favour of this decision.

Joutel and Val d'Or Area Exploration

The several groups totalling 232 claims staked during the 1979-1980 winter period in the Townships of Joutel, Valrennes and Douay, all within a 30-mile radius of the Eagle Gold Mine properties, cover areas of aerial geophysical anomalies.

During the 1980 field season, six of these claims groups were explored for gold, including diamond drilling totalling some 7,000 feet in 11 holes on five groups and line cutting and geophysics on the remainder. The most encouragement was obtained from one of the claim groups in Valrennes where follow-up drilling to an earlier drill hole which intersected sulphide mineralization and returned two ore grade assays of 0.13 oz. gold per ton across 6.0 feet and 0.11 oz. across 11.5 feet, was carried out.

Of the better values intersected, five range from 0.09 oz. over 5.0 feet to 0.20 oz. over 9.8 feet. These were at a vertical depth of 246 to 295 feet and cover a strike length of 295 feet. They appear to lie in two, nearly vertical horizons some 40 to 65 feet apart. Deeper drilling will be required to establish the potential of this gold mineralized occurrence.

Three holes were also drilled on another Valrennes Twp. claim group and although the best value intersected was 0.03 oz. across 2.2 feet in graphitic sediments, a localized, deeply weathered zone, greater than 75 feet vertically, may represent a strong fault zone.

A third Valrennes Twp. property, with rock types similar to that of the last described group, has already been tested by nine holes, obtaining low gold values at similar horizons, and a tenth hole is to be drilled.

In January, 1981, a group of 15 claims in Cadillac Township was acquired under option. This property, 1.5 miles south of the town of Cadillac, is situated across the nose of a granitic body intrusive into meta-sedimentary rocks. The claims cover the west end of a prominent airborne magnetometer survey anomaly, possibly caused by a more basic intrusion east of the granitic body. A preliminary ground survey was followed by geophysical surveying over the eastern third of the property. Anomalous areas of magnetism and known trenches are to be examined and sampled.

During the season, four claims were staked and 16 claims were allowed to lapse.

Serem Joint Venture, Smithers, B.C.

The background to the Serem Joint Venture was described in some detail in the 1979 Annual Report, noting the acquisition by your Corporation and associated Sudbury Contact Mines, Limited of a shared 50% participation in the joint venture undertaking with Serem Limited (a wholly owned subsidiary of Serem S.A. of France), which is the manager/operator of the project holding the remaining 50% interest.

Interim reports during 1980 detailed the results of the field program carried out during that year, consisting of diamond drilling, rock trenching and detailed silt-soil sampling. The diamond drilling program, consisting of 9,500 feet in 18 holes, was concentrated on the 'Amethyst Gold Breccia Zone' (AGBZ) of the Lawyers Property, obtained from Kennco Explorations (Western) Limited. The latter originally staked the Lawyers Property in 1970-71 and in subsequent years the

The final product of the mine. The refinery furnace is charged with a mixture of gold precipitate and flux and, after heating to about 2,500F., the molten bullion is poured into molds where the gold, owing to its high density, separates from the slag.

The recovery of gold from the mineralized rock is one of the most efficient processes in modern metallurgy. This involves the final recovery of the bullion which represent approximately one part in nearly one hundred thousand parts of rock and successfully extracts more than 90' of the metal. Alongside shows the operator drill-sampling the bar before shipment to the Royal Canadian Mint at Ottawa, Canada.

AGBZ was sampled by trenches and a limited drilling program carried in 1974 and 1975.

In May, 1978, the Lawyers Property was optioned to Semco from whom Serem Limited obtained an assignment agreement the following year and Serem subsequently assigned 50% of its interest equally to Agnico-Eagle and Sudbury Contact.

The working option from Kennco remains in force until December, 1982 upon the expenditure by the Serem Joint Venture of not less than $170,000. If such expenditures during the period aggregate not less than $250,000, then the Serem Joint Venture will have earned a 51% undivided interest (Agnico-Eagle and Sudbury each having 25% of 51% or 12.75% of the total), thereby constituting a joint venture between the Serem Joint Venture partners and Kennco on a 51%-49% basis, the 'Kennco Joint Venture'.

The agreement further provides for additional expenditures on the Lawyers Property by the Serem Joint Venture, or its bringing of the property into production, whereby Serem J.V. partners can earn up to a maximum of 80% interest in the Lawyers Property.

The properties designated as the 'Toodoggone Project' were staked on behalf of the Serem Joint Venture and totalled at the time of the 1979 staking some 214 units (10,500 acres) in nine groups including certain areas that were staked adjoining the Kennco group of properties for protection along strike. Those areas directly adjacent are within the one mile perimeter clause and therefore are part of the Kennco J.V.

The remaining 176 units (8,625 acres), designated the 'Toodoggone Project' are outside of the agreement with Kennco and therefore become subject to the 50%-25%-25% terms of the agreement between the joint venture partners.

For greater clarification, the 'Lawyers Property' now comprises 153 units (7,500 acres) and the 'Toodoggone Project' 814 units (40,000 acres). In addition, the staking subsequent to 1979 covered a further 94 units (4,600 acres) as a consequence of the 1980 program, thereby bringing the total units of the 'Toodoggone Project' to the foregoing 814 units.

Summary of 1980 Program

As previously reported, the 1980 program of diamond drilling totalled 9,500 feet in 18 holes, concentrated on the Lawyers Property. The drilling tested two tiers or horizons approximately 100 feet and 200 feet, respectively, from surface, obtaining a considerable number of ore grade intersections of gold and silver values, some over impressive core lengths.

This drilling and earlier work carried out by Kennco on the AGBZ has indicated a widespread area of gold-silver mineralization over a length in excess of 2,000 feet, a width of 250 feet and to tested depths exceeding 200 feet from surface. In addition, silt and soil sampling was carried out in the area of the Toodoggone Project, indicating highly anomalous values in gold, silver and base metals. This prompted the staking of a further 94 units to cover these anomalous areas.

The 1980 program was carried out at a cost of some $1 million.

Planned 1981 Program

A $2.2 million exploration has been approved by the joint venture partners for the Lawyers Property in 1981. Equipment and supplies have been mobilized and some already flown to the airstrip servicing the area.

The 1981 program is to be carried out in two stages. The first will involve approximately 10,000 feet of diamond drilling, initially on a tier of holes to test horizons below those probed in earlier drilling followed by drilling to test the AGBZ along strike to the north. This phase is budgeted at $900,000 and, predicated on favourable results of this deeper drilling, will enable the implementation of the second stage which is budgeted at $1.3 million.

The first stage drilling commenced in May and is expected to be completed during June. The second stage will include an adit to be driven into the side of the mountain for a planned advance of 600 feet and will include an additional 10,000 feet of drilling. Road construction to the adit site and moving the camp into the valley, has been tentatively scheduled during July and August.

A $300,000 budget was also approved for the Toodoggone Project area and will involve exploration in the general area of favourable volcanic rocks. The Toodoggone Project includes holdings about a mile and a quarter west from the holdings of Dupont of Canada Exploration Limited encompassing the latter's Baker Mine which is scheduled to commence production early in 1981. The Baker Mine will extract and treat some 100,000 tons of ore grading about 0.9 oz. of gold and 19 ozs. of silver per ton.

The presence of gold and silver on the Lawyers, Chapelle (Baker Mine) and other properties in the area, indicates a potential precious metal district with mineral occurrences generally related to Jurassic volcanics. Your Corporation's management views this project with optimistic enthusiasm and the results of the 1981 program are awaited with great interest.

Investments

Your Corporation maintains an appreciable and mainly long term portfolio of investments, principally in mineral resource securities with particular emphasis on precious metal oriented corporations. This portfolio includes substantial minority shareholdings in Dumagami Mines Limited, associated Mentor Exploration and other mineral resource corporations.

In conjunction with this investment portfolio, realized gains during 1980 from the sale of certain short term investments resulted in profits totalling $2.6 million. The investment portfolio, carried at a cost of $8.3 million, had a 1980 year end quoted value of $16.7 million.

General

Your Corporation remains firmly dedicated to gold and silver, confident in the forecast of continued buoyant price levels and committed to multi-million dollar projects in furtherance of this view. The current price of gold in a range between U.S.$450 and U.S. $500 per ounce provides an adequate base for expansion and production planning. The probabilities of higher gold prices during the second half of 1981 and extending into 1982 — and beyond — is well supported by gold's underlying fundamentals. Silver, of course, is expected to keep pace with the continuing strength of gold.

The Board of Directors is again pleased to acknowledge the consistent loyal efforts and demonstrated skills of our operating force at the gold and silver mining divisions, as well as the engineering, mining and geological consultants for their collective and coordinated contributions in all areas of corporate endeavour during the past year.

On behalf of the Board of Directors,

Paul Penna

President and Managing Director

Toronto, Ontario
May 15, 1981

The new shaft headframe and mining plant at the Temiskaming Shaft was installed during 1980. This shaft, some 600 feet distant from the Beaver Shaft, is of three-compartment size and sunk to a depth of 1,600 feet. It is scheduled to become the main production shaft for the group of properties designated the Beaver-Temiskaming.

Five Year Summary of Financial and Production Highlights

	1976	1977	1978	1979	1980
Financial Summary					
Bullion Revenue	$ 8,702,653	$11,069,222	$15,786,288	$26,956,747	*$48,840,988
Expenses (Net)	$ 7,425,707	$ 8,249,437	$ 8,775,397	$ 9,818,257	$ 9,870,120
Cash Flow — Funds from Operations	$ 1,133,732	$ 2,585,516	$ 6,644,349	$13,505,636	$21,661,245
Per Share	$0.08	$0.19	$0.48	$0.97	$1.56
Net Income	$(1,362,238)	$ (361,361)	$ 2,636,302	$ 7,946,110	$18,013,923
Per Share	($0.10)	($0.03)	$0.19	$0.57	$1.30
Working Capital at Year End	$ (773,718)	$ 159,289	$ 5,851,265	$14,592,754	$30,803,481

Production Summary

Gold Division

	1976	1977	1978	1979	1980
Bullion Revenue	$ 7,940,667	$10,110,868	$14,107,110	$23,902,229	*$40,864,681
Operating Costs	$ 5,936,632	$ 6,706,332	$ 7,351,949	$ 8,404,782	$10,120,946
Net Division Revenue	$ 1,840,987	$ 3,330,854	$ 6,667,305	$12,743,322	$23,502,138
Tons of Ore Milled	345,538	363,526	361,875	367,600	357,415
Average Grade — Oz./Ton Gold	0.206	0.197	0.191	0.192	0.168
Gold Production — Ozs.	64,343	63,481	63,157	64,722	55,190
Silver Production — Ozs.	17,923	14,949	15,131	15,976	11,494
Average Gold Price — Per Oz.	$123.55	$158.14	$221.89	$366.42	$735.26
Operating Costs — Per Ton Milled	$17.18	$18.45	$20.32	$22.86	$28.32
Operating Costs — Per Oz. Gold	$92.27	$105.64	$116.41	$129.86	$183.38

Silver Division

	1976	1977	1978	1979	1980
Bullion Revenue	$ 761,586	$ 958,354	$ 1,679,178	$ 3,054,518	*$ 7,976,307
Operating Costs	$ 1,072,651	$ 987,291	$ 975,102	$ 1,158,466	$ 4,226,928
Net Division Revenue	$ (311,065)	$ (185,376)	$ 428,202	$ 1,565,723	$ 1,928,503
Tons of Ore Milled	41,455	44,362	44,266	46,075	62,576
Silver Production — Ozs.	192,885	198,811	268,208	187,315	409,441
Average Silver Price — Per Oz.	$3.95	$4.82	$6.26	$16.31	$16.31

NOTE: *Bullion revenue figures for 1980 are before deductions relating to the hedging of gold and silver production.

AGNICO-EAGLE
mines limited

Gold Division
Casier Postal
P.O. Box 310
Joutel, Quebec J0Y 1N0

Report of the Mine Manager (Gold Division)

January 25, 1981

The President and Directors
Agnico-Eagle Mines Limited
Suite 300, 365 Bay Street
Toronto, Ontario M5H 2V1

Gentlemen:

I am pleased to submit the following report regarding operations at the Gold Division of Agnico-Eagle Mines Limited for the year ended December 31, 1980.

Summary:

During 1980 gold production amounted to 55,190 ounces together with 11,494 ounces of silver. Tonnage of ore treated was 357,415 tons with a calculated average grade of 0.168 ounce of gold per ton.

Overall recovery of gold in the mill averaged 91.97% for the year which is a record annual average.

Bullion revenue for 1980 amounted to $40,864,681 reflecting the increase in the average price received for the gold during the year to $735.26 Canadian from $366.42 in 1979.

Production:

In 1980 the mill treated a total of 357,415 tons of ore averaging 979 tons per calendar day with the mill operating at approximately 84% of available time. On the basis of actual operating days, the average throughput rate for the year was 1,164 tons.

Operating Summary:

Production	**1979**	**1978**
Tons Milled	357,415	367,600
Mill Recovery — %	91.97	91.60
Grade — Oz./Ton Gold	0.168	0.192
Gold Production — Ozs.	55,190	64,722
Silver Production — Ozs.	11,494	15,976
Average Value — Oz. Gold	$ 735.26	$ 366.42
Average Value — Oz. Silver	$ 24.84	$ 11.51

Revenue	1980	Per ton	1979	Per ton
Gold Production	$ 40,579,125	$ 113.54	$ 23,715,508	$ 64.51
Silver Production	285,556	0.80	186,721	0.51
Total Bullion Revenue	$ 40,864,681	$ 114.34	$ 23,902,229	$ 65.02
Marketing Charges	168,796	0.47	123,252	0.34
Division Revenue	$ 40,695,885	$ 113.87	$ 23,778,977	$ 64.68
Expenses				
Mining	$ 5,335,308	$ 14.93	$ 4,615,751	$ 12.55
Milling	4,785,638	13.39	3,789,031	10.31
Total Operating Costs	$ 10,120,946	$ 28.32	$ 8,404,782	$ 22.86
Operating Profit	$ 30,574,939	$ 85.55	$ 15,374,195	$ 41.82
Capital Expenditures	$ 1,442,692	$ 4.04	$ 1,045,757	$ 2.84

The following is a summary of the development completed in 1980 with comparative data for 1979.

	1980	1979
Drifting, sub-drifting and cross-cutting — feet	11,273	9,243
Raising — feet	3,363	2,934
Total tons of ore broken (dev. and mining)	355,615	356,804
Total tons of waste broken	41,317	38,684
Long hole drilling — feet	170,427	210,053
U/G diamond drilling — feet	32,422	16,971

Ore Reserves:

Total proven, probable and drill indicated reserves at December 31, 1980 including a 31% allowance for mining dilution, were 1,229,990 tons grading 0.191 ounce of gold per ton.

Details of the ore reserves are as follows:

Category		Tons at Year end 1980	Tons at Year end 1979	Tons at Year end 1978	Tons at Year end 1977
Proven ore	— tons	342,069	440,642	450,219	485,440
	— oz./ton	0.225	0.275	0.228	0.200
Probable ore	— tons	618,657	458,516	338,571	214,876
	— oz./ton	0.184	0.202	0.258	0.260
Total Proven and Probable	— tons	960,726	899,158	788,790	700,316
	— oz./ton	0.198	0.238	0.241	0.220
Indicated ore	— tons	269,464	406,375	450,701	896,714
	— oz./ton	0.166	0.202	0.253	0.270
Total all categories	— tons	1,229,990	1,305,533	1,239,491	1,597,030
	— oz./ton	0.191	0.227	0.245	0.250

Ore reserves of Telbel are not included.

General:

During the year the tailings disposal area was enlarged ($450,000). Ten (10) houses for employees were constructed ($350,000). A 12 x 8 1500 H.P. Hoist was purchased for #2 shaft.

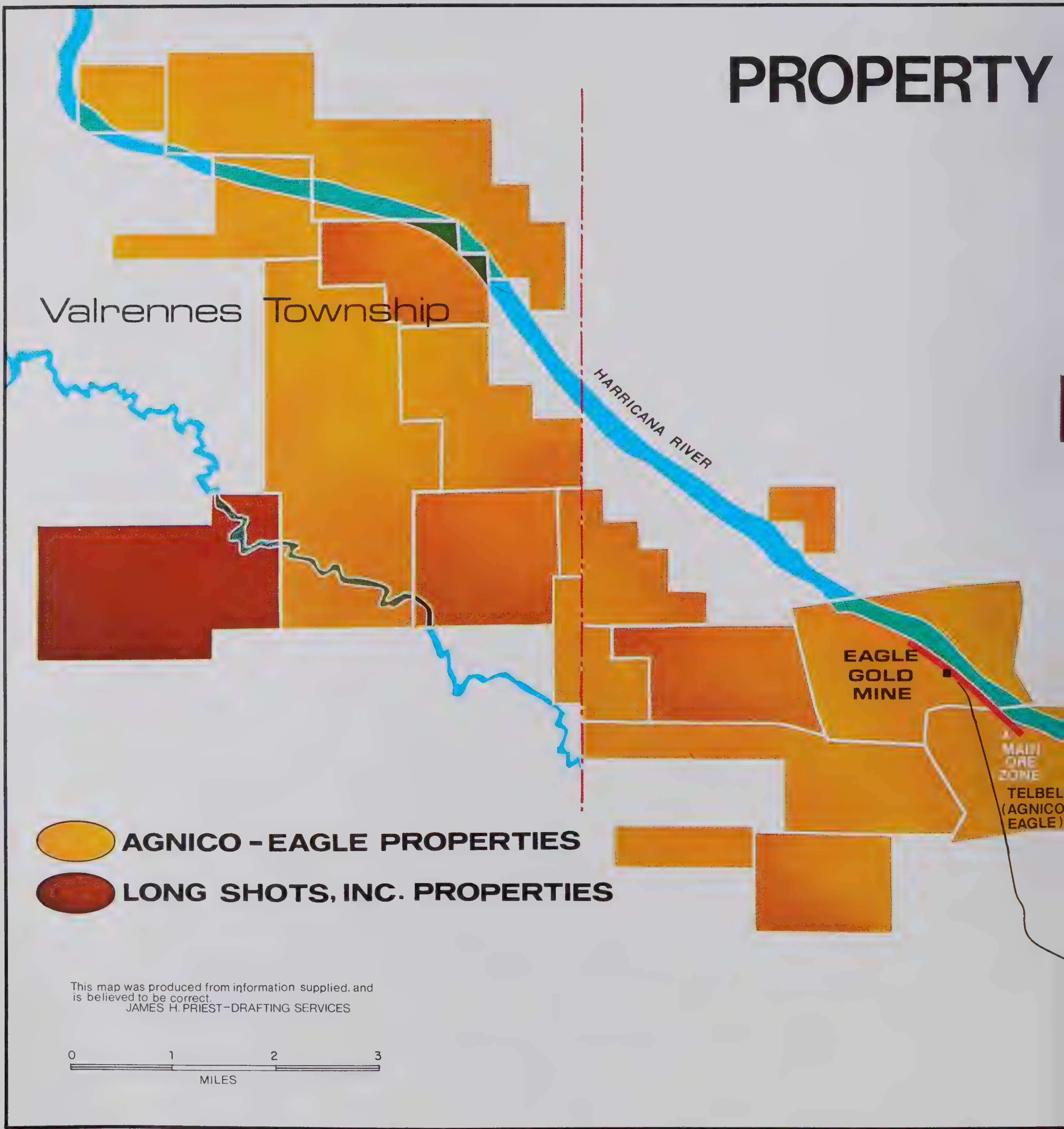
Labour relations remained harmonious throughout the year. The work force at 212 is approximately 9% greater than last year. The contract with the United Steelworkers of America expires 1st December 1982.

In conclusion, I would wish to extend my appreciation to the Board of Directors, staff and employees for their co-operation and assistance throughout the year.

Respectfully submitted,

D. L. Maciejowski, B.Sc., P.Eng.,
Mine Manager

The map below shows the 1979-1980 area of staking by Agnico-Eagle Mines Limited totalling some 232 claims extending within a radius of 30 miles around the Eagle Gold Mine and will be a major follow-up exploration target during 1981.



LOCATION PLAN

Summarized 1980 Quarterly Data — Unaudited

Consolidated Financial Results	Quarter Ended March 31	June 30	Sept. 30	Dec. 31	Year
Bullion Revenue	$ 13,749,555	$ 9,229,948	$ 12,793,225	$ 13,068,260	$ 48,840,988
Cash Flow — funds from operations	$ 5,589,852	$ 2,894,048	$ 6,203,371	$ 7,280,604	$ 21,661,245
Per Share	$0.403	$0.208	$0.446	$0.523	$1.56
Net Income	$ 4,555,722	$ 2,476,760	$ 5,083,527	$ 5,897,914	$ 18,013,923
Per Share	$0.328	$0.178	$0.365	$0.424	$1.30

Divisional Operating and Financial Summary (unconsolidated)

GOLD DIVISION

	March 31	June 30	Sept. 30	Dec. 31	Year
Tons Ore Milled	107,050	96,719	79,500	74,146	357,415
Grade — Oz./Ton Gold	0.157	0.146	0.174	0.208	0.168
Mill Recovery — %	91.39	90.45	91.88	93.51	91.79
Gold Production — Ounces	15,339	13,079	12,666	14,106	55,190
Silver Production — Ounces	3,335	2,802	2,569	2,788	11,494
Average Cost/Ton Milled	$ 24.46	$ 23.87	$ 30.81	$ 37.02	$ 28.32
Average Cost Per Ounce of Gold	$ 170.68	$ 176.54	$ 193.38	$ 194.58	$ 183.38
Average Gold Price — Per Oz.	$ 748.28	$ 655.82	$ 754.80	$ 777.23	$ 735.26
Average Silver Price — Per Oz.	$ 44.29	$ 14.77	$ 17.07	$ 19.83	$ 24.84
Value of Gold Production	$ 11,477,892	$ 8,577,414	$ 9,560,253	$ 10,963,566	$ 40,579,125
Value of Silver Production	$ 147,693	$ 41,386	$ 43,853	$ 52,624	$ 285,556
Gross Division Revenue	$ 11,625,585	$ 8,618,800	$ 9,604,106	$ 11,016,190	$ 40,864,681
Marketing Expense	$ 50,774	$ 32,740	$ 39,522	$ 45,760	$ 168,796
	$ 11,574,811	$ 8,586,060	$ 9,564,584	$ 10,970,430	$ 40,695,885
Mine Operating Costs	$ 2,618,012	$ 2,308,920	$ 2,449,308	$ 2,744,706	$ 10,120,946
	$ 8,956,799	$ 6,277,140	$ 7,115,276	$ 8,225,724	$ 30,574,939
Mining Taxes	$ 1,117,011	$ 702,369	$ 1,069,438	$ 1,093,070	$ 3,981,888
Net Division Revenue	$ 7,839,788	$ 5,574,771	$ 6,045,838	$ 7,132,654	$ 26,593,051

SILVER DIVISION

	March 31	June 30	Sept. 30	Dec. 31	Year
Tons Ore Milled	16,836	17,130	12,800	15,810	62,576
Recovered Grade — Ozs./Silver Per Ton	4.79	2.61	12.76	7.64	6.54
Silver Production — Ounces	80,614	44,791	163,304	120,732	409,441
Average Cost/Ton Milled	$ 47.54	$ 41.29	$ 110.95	$ 82.16	$ 67.55
Average Cost Per Ounce of Silver	$ 9.93	$ 15.79	$ 8.70	$ 10.76	$ 10.32
Average Silver Price — Oz.	$ 26.35	$ 13.64	$ 19.53	$ 17.00	$ 19.48
Gross Division Revenue	$ 2,123,970	$ 611,148	$ 3,189,119	$ 2,052,070	$ 7,976,307
Marketing and Royalties	$ 177,219	$ 115,020	$ 344,705	$ 256,180	$ 893,124
	$ 1,946,751	$ 496,128	$ 2,844,414	$ 1,795,890	$ 7,083,183
Mine Operating Costs	$ 800,458	$ 707,360	$ 1,420,119	$ 1,298,991	$ 4,226,928
	$ 1,146,293	$ (211,232)	$ 1,424,295	$ 496,899	$ 2,856,255
Sundry Income	$ 1,074	$ 1,046	$ 2,053	$ 7,104	$ 11,277
Net Division Revenue (Loss)	$ 1,147,367	$ (210,186)	$ 1,426,348	$ 504,003	$ 2,867,532

NOTES: **Bullion Revenue** — Revenue figures shown in the above summary of Consolidated Financial Results are before deductions of realized losses resulting from the closing out of future contracts in relation to the hedging of bullion production, amounting to $1,591,294 in the 1st quarter; $977,602 in the 2nd quarter; $1,461,046 in the 3rd quarter; and nil in the 4th quarter or a total for the year 1980 of $4,029,942. The revenue figures in the Divisional Summary of the Gold and Silver Divisions similarly are before these deductions. However, the cash flow and net income fully reflect these hedging adjustments.

Net Division Revenue — The divisional net revenue figures are before non-cash write offs for amortization of deferred expenditures and depreciation, corporate income tax, head office expenses and do not include investment and other non-operating revenues.

Agnico-Eagle holdings in the Cobalt silver camp, Ontario

This map was produced from various sources, none being official or certified, all property boundaries are approximate

James H. Priest · Drafting Services
WHITBY ONTARIO

Summarized 1980 Quarterly Data — Unaudited

Consolidated Financial Results	Quarter Ended March 31	June 30	Sept. 30	Dec. 31	Year
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Net Income	$ 4,555,722	$ 2,476,760	$ 5,083,527	$ 5,897,914	$ 18,013,923
Per Share	$0.328	$0.178	$0.365	$0.424	$1.30

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Average Cost/Ton Milled	$ 24.46	$ 23.87	$ 30.81	$ 37.02	$ 28.32
Average Cost Per Ounce of Gold	$ 170.68	$ 176.54	$ 193.38	$ 194.58	$ 183.38
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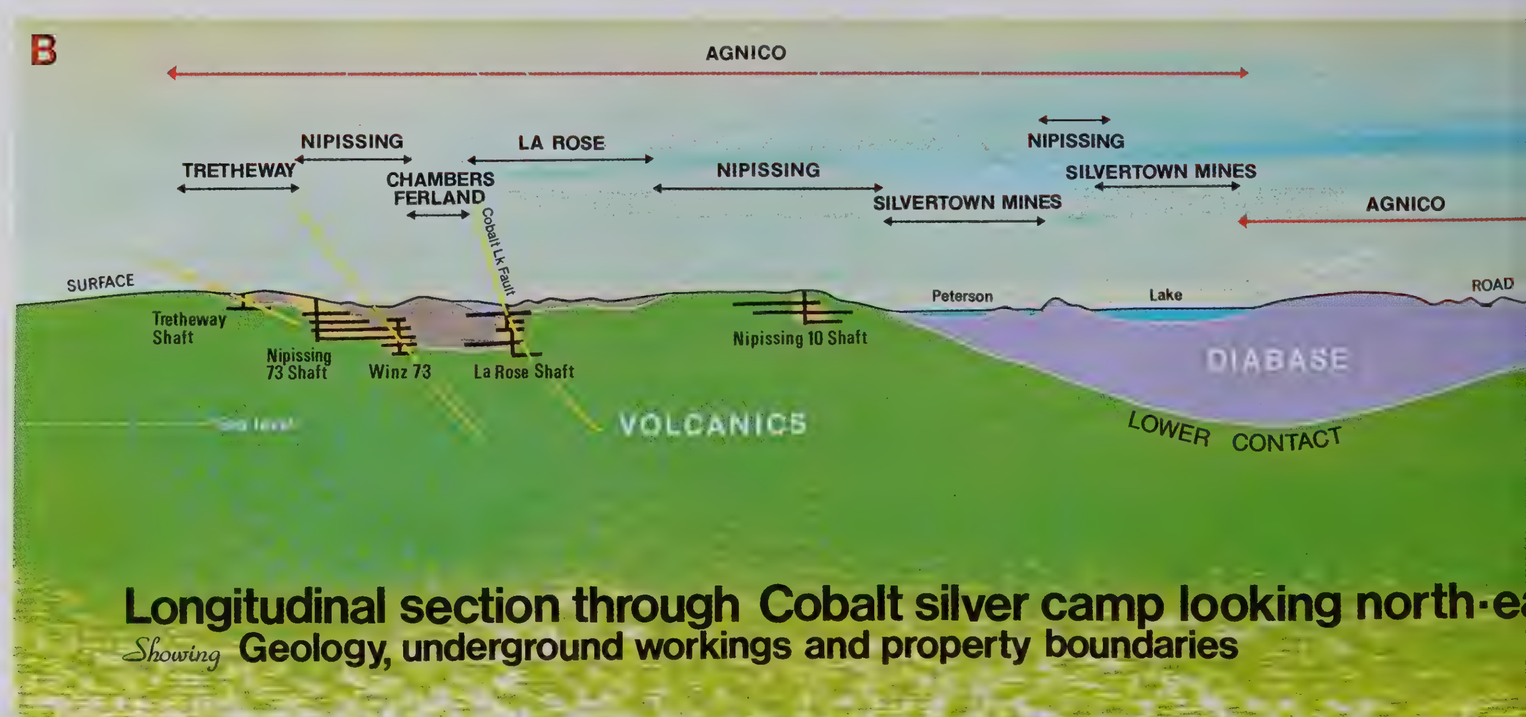
Agnico·Eagle holdings in the Cobalt silver camp, Ontario

This map was produced from various sources, none being official or certified. all property boundaries are approximate

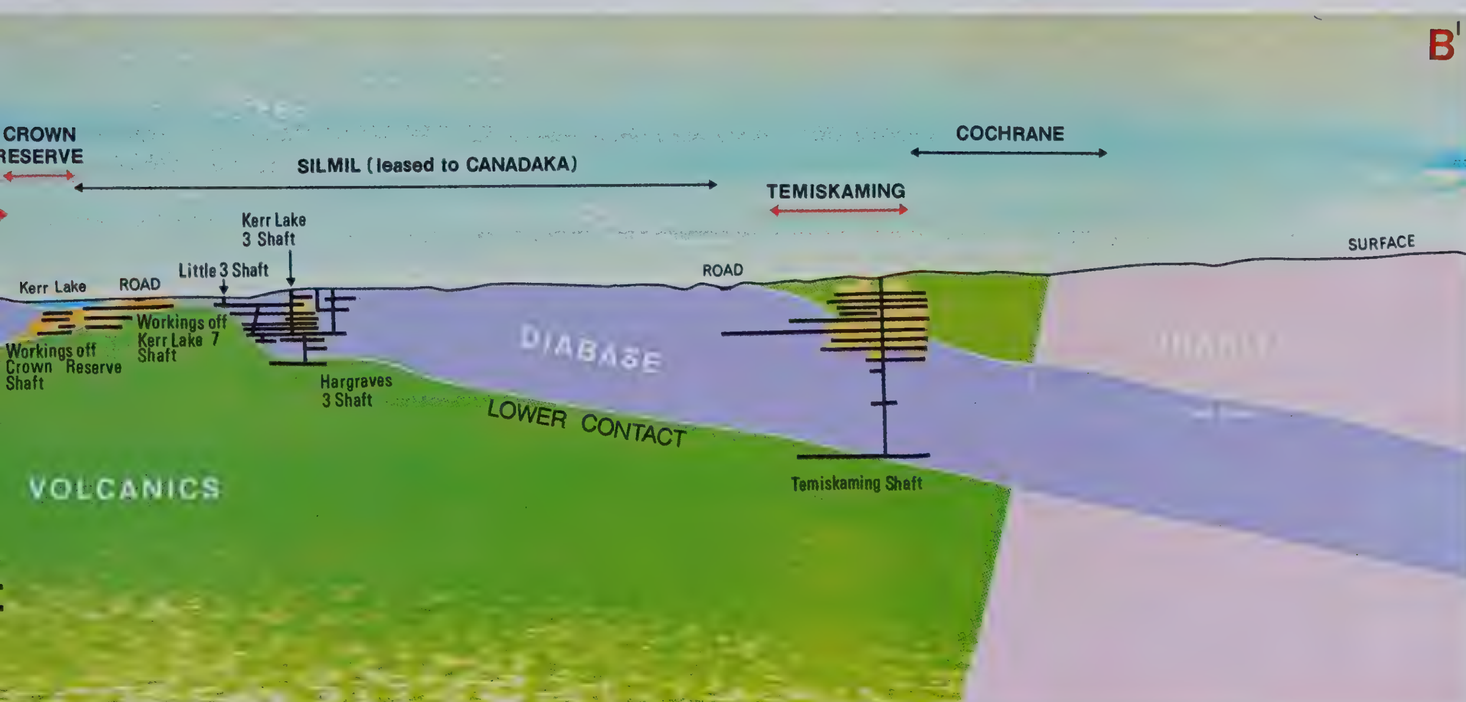
James H. Priest · Drafting Services
WHITBY ONTARIO

This picture shows the new shaft headframe and mining plant buildings at the Temiskaming Shaft which will provide an expanded underground access for the development of the Cobalt Lode, Brady Lake and Christopher properties. The Beaver Shaft, to the rear and left, has been the previous main access for the $4 million underground program which has been virtually continuous since 1971.

The longitudinal section below covers many of the Company's properties in the Cobalt Silver Camp of Ontario, most of which obtained their silver production from the lower contact of the Nipissing diabase sill, the exceptions being the group of five mines which are designated under the title of 'Temiskaming' located toward the right hand side of this illustration. The section B to B[1] is shown on plan in the drawing appearing on page 21. The combined cumulative silver recovery from the properties presently owned or leased by Agnico-Eagle Mines Limited, covering the period of operations by both former owners and Agnico-Eagle, is in excess of 300 million ounces.




DDH
30.7 oz Ag / 3.0'
DDH
1600 ft
Calcite vein with Cobalt
DDH 2542 oz. Ag / 0.4'
Silver ore
BEING MINED
1600 ft
DDH 333.4 oz. Ag / 0.25'
New development
Old workings
Calcite vein
1600 ft
Silver ore
BEING MINED
TEMISKAMING SHAFT
BEAVER SHAFT
BEAVER
TEMISKAMING
1600 ft
1600 ft


B'
CROWN
RESERVE
SILMIL (leased to CANADAKA)
COCHRANE
TEMISKAMING
Kerr Lake 3 Shaft
Little 3 Shaft
Kerr Lake
ROAD
ROAD
SURFACE
Workings off Kerr Lake 7 Shaft
Workings off Crown Reserve Shaft
DIABASE
Hargraves 3 Shaft
LOWER CONTACT
Temiskaming Shaft
VOLCANICS

Consolidated Balance Sheet

AS AT DECEMBER 31, 1980

ASSETS

CURRENT ASSETS

Cash
Deposit receipts
Accounts receivable
Marketable securities, at lower of cost or net realizable value (quoted market value 1980 — $16,716,844; 1979 — $6,748,858)
Bullion and concentrates on hand
Supplies
Prepaid expenses and deposits
Advances to affiliated companies — 10%
Deposits on gold and silver contracts

FIXED ASSETS (Note 2)

MINING CLAIMS AND PROPERTIES

DEFERRED EXPENDITURES

Silver Division
Gold Division

OTHER ASSETS

Shares of unlisted companies, at nominal value
Shares of unlisted companies, at cost
Amalgamation expenses, at cost

LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES

Accounts payable and accrued liabilities
Income and mining taxes payable
Unclaimed dividends

DEFERRED INCOME TAXES (Note 3)

MINORITY INTEREST IN SUBSIDIARY

SHAREHOLDERS' EQUITY

CAPITAL (Note 4)
Authorized — 20,000,000 Shares without par value
Issued — 13,912,327 Shares (1979 — 13,861,827)

RETAINED EARNINGS

See accompanying notes to financial statements.

Approved on Behalf of the Board of Directors:

Paul Penna, Director

John R. Murray, Director

1980	1979
$ 9,039	$ 36,978
28,187,185	5,468,928
5,253,296	2,549,032
8,301,528	5,316,305
858,337	3,904,793
552,410	469,159
354,541	300,391
—	356,900
—	1,572,669
43,516,336	19,975,155
4,717,335	4,191,011
878,721	584,124
554,120	1,871,631
2,410,256	2,447,329
2,964,376	4,318,960
3	3
107,620	107,620
82,879	82,879
190,502	190,502
$ 52,267,270	$ 29,259,752
$ 2,169,264	$ 2,117,078
10,324,696	3,175,705
218,895	89,618
12,712,855	5,382,401
2,076,735	2,258,980
5,100	5,100
14,794,690	7,646,481
13,253,775	12,947,145
24,218,805	8,666,126
37,472,580	21,613,271
$ 52,267,270	$ 29,259,752

AGNICO-EAGLE
mines limited

AUDITORS' REPORT

To the Shareholders of
Agnico-Eagle Mines Limited

We have examined the consolidated balance sheet of Agnico-Eagle Mines Limited as at December 31, 1980 and the consolidated statements of retained earnings, income, and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Company as at December 31, 1980 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

STARKMAN, KRAFT, ROTHMAN,
BERGER & GRILL
Chartered Accountants

Toronto, Ontario
March 9, 1981

CONSOLIDATED STATEMENT OF INCOME

FOR THE YEAR ENDED DECEMBER 31, 1980

	1980	1979
INCOME		
Production of metals	$ 44,811,046	$ 26,956,747
Less: Marketing	1,061,920	505,416
	43,749,126	26,451,331
EXPENSES		
Mining	8,485,000	5,006,897
Milling	5,547,507	4,255,048
Administration	1,159,232	858,143
Transportation of mill ore	315,367	198,995
	15,507,106	10,319,083
Less: Interest and sundry income	2,973,482	398,355
Profit on sale of marketable securities	2,663,504	102,471
	9,870,120	9,818,257
INCOME BEFORE UNDERNOTED ITEMS	33,879,006	16,633,074
Amortization of deferred expenditures	2,145,367	1,925,084
Depreciation of buildings, machinery and equipment	1,684,200	1,375,462
	3,829,567	3,300,546
INCOME BEFORE TAXES AND EXTRAORDINARY ITEM	30,049,439	13,332,528
Income and mining taxes (Note 3) — current	12,217,761	3,894,077
— deferred	(182,245)	2,258,980
	12,035,516	6,153,057
INCOME BEFORE EXTRAORDINARY ITEM	18,013,923	7,179,471
Utilization of unrecorded deferred tax benefits (Note 7)	—	766,639
NET INCOME FOR THE YEAR	$ 18,013,923	$ 7,946,110
EARNINGS PER SHARE BEFORE EXTRAORDINARY ITEM	$ 1.30	51.8¢
EARNINGS PER SHARE	$ 1.30	57.3¢

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF RETAINED EARNINGS
FOR THE YEAR ENDED DECEMBER 31, 1980

	1980	1979
RETAINED EARNINGS — beginning of year	$ 8,666,126	$ 2,312,879
Net income for the year	18,013,923	7,946,110
	26,680,049	10,258,989
Less: Dividends paid	2,461,244	1,592,863
RETAINED EARNINGS — end of year	$ 24,218,805	$ 8,666,126

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 1980

	1980	1979
SOURCE OF FUNDS		
FROM OPERATIONS		
Net income for the year	$ 18,013,923	$ 7,946,110
Add: Items which do not require a current outlay of working capital		
— deferred income taxes	(182,245)	2,258,980
— depreciation	1,684,200	1,375,462
— amortization of deferred expenditures	2,145,367	1,925,084
	21,661,245	13,505,636
Issuance of capital stock	306,630	—
	21,967,875	13,505,636
APPLICATION OF FUNDS		
Increase in mining properties	294,597	123,698
Dividends paid	2,461,244	1,592,863
Deferred expenditures — Gold Division	613,489	44,640
Deferred expenditures — Silver Division	177,294	1,284,462
Buildings, machinery and equipment (net)	2,210,524	1,718,484
	5,757,148	4,764,147
INCREASE IN WORKING CAPITAL	16,210,727	8,741,489
WORKING CAPITAL, beginning of year	14,592,754	5,851,265
WORKING CAPITAL, end of year	$ 30,803,481	$ 14,592,754

See accompanying notes to financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1980

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

(a) ACCOUNTING FOR SUBSIDIARIES

These financial statements include the accounts of the Company's 97% owned subsidiary, Telbel Mines Limited. The chief assets of Telbel are mining development licences on 34 claims adjacent to the Company's Gold Division mining property. The investment in the Company's dormant wholly-owned subsidiaries is carried at nominal value.

(b) DEFERRED EXPENDITURES AND AMORTIZATION

The amounts shown for deferred expenditures represent costs to date less amounts written off and are not intended to reflect present or future values. Exploration costs related to unknown or unproven ore bodies are deferred until such time as production occurs. Amortization of deferred expenditures at the Gold Division is calculated on a unit of production basis based on the total ore reserves of the mine. At the Silver Division where ore reserves are not predictable the Company amortizes sufficient costs to eliminate the income earned during the year.

(c) DEPRECIATION

The Gold Division records depreciation on a unit of production basis based on the total ore reserves of the mine. The Silver Division records depreciation on a 30% declining balance basis due to the erratic nature of the ore bodies.

(d) SUPPLIES

Supplies are valued at average cost.

(e) PLANT AND EQUIPMENT ADDITIONS AND REPAIRS

Repairs and maintenance are charged to operations or deferred expenditures while additions, replacements or improvements to existing plant and equipment are capitalized.

(f) EXCHANGE TRANSLATION

The Company's gold operating revenues which are based on U.S. dollar prices are reflected in the statement of earnings at their Canadian dollar exchange equivalent at the date of sale. U.S. dollar current assets and current liabilities are translated to Canadian dollars on the basis of year-end exchange rates at December 31.

(g) BULLION AND CONCENTRATES ON HAND

Bullion and concentrates on hand are valued at the estimated realizable value at December 31, 1980.

(h) GENERAL

The financial statements which are presented on the historical cost basis, are prepared in accordance with accounting principles generally accepted in Canada and conform in all material respects with International Accounting Standards.

2. **FIXED ASSETS**

The fixed asset balance by division is as follows:

	1980	1979
SILVER DIVISION		
Buildings, machinery and equipment, at cost	$ 4,325,874	$ 3,197,215
Less: Accumulated depreciation	3,209,937	2,734,256
	1,115,937	462,959
GOLD DIVISION		
Buildings, machinery and equipment, at cost	11,296,272	10,214,407
Less: Accumulated depreciation	7,694,874	6,486,355
	3,601,398	3,728,052
	$ 4,717,335	$ 4,191,011

3. **DEFERRED INCOME TAXES**

The Company records income and mining taxes on the tax allocation basis. Differences between accounting and taxable income occur as a result of claiming items for income and mining taxes in excess of those recorded for accounting purposes. The resultant differences are reflected in the balance sheet as deferred income taxes.

4. **CAPITAL**

The Company has allotted 200,000 shares for a stock option for its President at $7.45 per share until August 15, 1984. The Company also has additional stock options outstanding for certain senior employees totalling 30,500 shares at $5.96 per share and 9,000 shares at $8.22 per share. During the year 50,500 shares were issued in respect of the options for senior employees which were exercised.

Subsequent to the year end the Company obtained permission, subject to approval by the shareholders, to grant a further option for 200,000 shares at $15.64 per share for the President.

5. **COMMITMENTS**

In 1975 the Company entered into a pension plan for all salaried employees. According to the terms of the plan there were certain past service funding requirements which are being funded and written-off in equal instalments over 15 years commencing in 1975. As of December 31, 1980 the unfunded unamortized liability is approximately $150,000.

6. **OTHER STATUTORY INFORMATION**

Aggregate direct remuneration of directors and senior officers as defined amounted to $507,303 for the year ended December 31, 1980 (1979 — $396,023).

7. **EXTRAORDINARY ITEM**

Generally accepted accounting principles in Canada require that the realization or partial realization in a subsequent period of the tax benefit resulting from a loss carry-forward, which was not recognized in the period in which the loss occurred, be reflected in the income statements for the period of realization as an extraordinary item.

8. **COMPARATIVE FIGURES**

Certain of the comparative figures have been reclassified to conform with the presentation adopted for 1980.

UNAUDITED CONSOLIDATED STATEMENT OF INCOME

FOR THE THREE MONTHS ENDED MARCH 31, 1981

	1981	1980
REVENUE		
Production of metals	$ 7,358,244	$ 12,158,261
Less: Marketing and royalties	176,888	227,993
	7,181,356	11,930,268
EXPENSES		
Mining	2,914,270	1,943,879
Milling	1,619,793	1,417,239
Administration	251,504	254,771
Transportation of mill ore	98,448	57,352
	4,884,015	3,673,241
Less: Interest and sundry income	1,257,663	330,282
Gain on sale of marketable securities	678,436	257,736
Gain on foreign exchange	20,233	328,568
	1,956,332	916,586
	2,927,683	2,756,655
INCOME BEFORE UNDERNOTED ITEMS	4,253,673	9,173,613
Amortization of deferred expenditures	136,876	890,045
Depreciation of buildings, machinery and equipment	360,296	511,154
	497,172	1,401,199
INCOME BEFORE TAXES	3,756,501	7,772,414
Income and mining taxes — current	1,692,870	3,583,761
— deferred	(225,062)	(367,069)
	1,467,808	3,216,692
NET INCOME FOR THE PERIOD	$ 2,288,693	$ 4,555,722
EARNINGS PER SHARE	16.4¢	32.8¢

See accompanying notes to financial statements.

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

FOR THE THREE MONTHS ENDED MARCH 31, 1981

	1981	1980
SOURCE OF FUNDS		
FROM OPERATIONS		
Net income for the period	$ 2,288,693	$ 4,555,722
Add: Items which do not require a current outlay of working capital		
— deferred income taxes	(225,062)	(367,069)
— depreciation	360,296	511,154
— amortization of deferred expenditures	136,876	890,045
	2,560,803	5,589,852
Issuance of capital stock	14,180	140,060
	2,574,983	5,729,912
APPLICATION OF FUNDS		
Increase in shares of unlisted companies	417,830	—
Increase in organization expenses	985	—
Increase in mining claims and properties	135,491	53,440
Deferred expenditures — Gold Division	233,570	1,969
Deferred expenditures — Silver Division	88,341	55,192
Land, buildings, machinery and equipment (net)	934,222	355,705
	1,810,439	466,306
INCREASE IN WORKING CAPITAL	764,544	5,263,606
WORKING CAPITAL, beginning of period	30,803,481	14,592,754
WORKING CAPITAL, end of period	$ 31,568,025	$ 19,856,360

See accompanying notes to financial statements.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 1981

1. **CAPITAL**

   During the period, stock options representing 1,000 shares were exercised at a price of $5.96 per share and 1,000 shares at $8.22 per share.

2. **SUBSIDIARY COMPANY**

   The Company has incorporated a wholly-owned subsidiary which has investments in undeveloped land held for either resale or future development. The Company has also acquired a minority interest in another land holding Company.

Summarized 1981 First Quarterly Data

Consolidated Financial Results (Unaudited)	Three Months Ended March 31st 1981	1980
Bullion Revenue	$ 7,358,244	*$13,749,555
Cash Flow — funds from operations	$ 2,560,803	$ 5,589,852
Per Share	18.4¢	40.3¢
Net Income	$ 2,288,693	$ 4,555,772
Per Share	16.4¢	32.8¢
Working Capital at End of Period	$31,568,025	$19,856,360

Divisional Operating and Financial Summary (unconsolidated)

GOLD DIVISION

	1981	1980
Tons of Ore Milled	75,200	107,050
Grade — Oz/Ton Gold	0.156	0.157
Mill Recovery — %	92.20	91.39
Gold Production — Ounces	10,866	15,339
Silver Production — Ounces	2,397	3,335
Average Cost/Ton Milled	$ 44.02	$ 24.46
Average Cost Per Oz. Gold	$ 304.65	$ 170.68
Average Gold Price. Received — Per Ounce	$ 609.91	$ 748.28
Average Silver Price Received — Per Ounce	$ 14.00	$ 44.29
Value of Gold Production	$ 6,627,249	$11,477,892
Value of Silver Production	$ 33,566	$ 147,693
Gross Division Revenue	$ 6,660,815	$11,625,585
Marketing Expense	$ 27,404	$ 50,774
	$ 6,633,411	$11,574,811
Mine Operating Costs	$ 3,310,312	$ 2,618,012
	$ 3,323,099	$ 8,956,799
Mining Taxes	$ 263,109	$ 1,117,011
Net Division Revenue	$ 3,059,990	$ 7,839,788

SILVER DIVISION

	1981	1980
Tons of Ore Milled	16,365	16,836
Recovered Grade — Ozs. Silver PerTon	4.79	4.79
Silver Production — Ounces	78,354	80,614
Average Cost/Ton Milled	$ 80.79	$ 47.54
Average Cost/Oz. Silver	$ 16.87	$ 9.93
Average Silver Price Received — Per Ounce	$ 8.90	$ 26.35
Gross Division Revenue	$ 697,429	$ 2,123,970
Marketing and Royalties	$ 149,484	$ 177,219
	$ 547,945	$ 1,946,751
Mine Operating Costs	$ 1,322,199	$ 800,458
	$ (774,254)	$ 1,146,293
Sundry Income	$ 2,798	$ 1,074
Net Division Revenue (Loss)	$ (771,456)	$ 1,147,367

NOTE: * Bullion revenue for the comparative 1980 First Quarter is before the deduction of realized losses for the period of $1,591,294 resulting from the closing out of futures contracts in relation to the hedging of bullion production. Cash flow and income figures reflect this deduction. There was no comparable item in the 1981 First Quarter.

Net division revenue figures are prior to the deduction of amortization of deferred expenditures and depreciation, corporate income tax and head office expense. The consolidated figures reflect the latter deductions.

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